BELLSOUTH

ORIGINAL

Mary L. Henze
Assistant Director-Policy Analysis

Suite 900
1133 - 21st Street, N.W.
~~Wash~~ington, D.C. 20036
~~2~~63-4109
~~F~~ax: 202 463-4144

RECEIVED

EX PARTE OR LATE FILED

AUG - 8 1997

August 8, 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Re: Federal-State Joint Board on Universal Service: CC Dkt No. 96-45

Dear Mr. Caton,

On August 7, the undersigned of BellSouth, Marvin Bailey of Ameritech, BB Nugent of US West, and Jim Lambertson and Steve Kohn of NYNEX met with Irene Flannery and Kim Parker of the Universal Service Branch and James Rubin of the General Counsel's Office to discuss issues related to the administration of the Universal Service schools/libraries fund. Also present via conference call were the following Joint Board staff: Charlie Bolle, South Dakota; Roland Curry, Texas; Mark Long, Florida; Don Durack, Indiana; and, Wayne Cornelius, New York.

The discussion focused on Universal Service application and website posting processes and how they can be designed to facilitate: a) the competitive bid process, b) accurate collection, reimbursement, and forecasting of universal service funds, and c) provider adjustments to billing systems in order to meet the January 1, 1998 program start date. In addition, the LECs discussed the recent "E-Rate Implementation Working Group" report submitted to the FCC by the Department of Education. The LECs supported the recommendation to provide for minor modifications to contracts and noted that if the FCC adopts the concept of "interim" application procedures that the "interim period" be of a limited and clearly defined time frame. Regarding the Working Group's recommendation to round averaged discounts to the nearest 5 percent, the LECs appreciated the recognition of legacy billing systems. They also noted that some systems can accommodate increments of 1 percent while efficient upgrading of all legacy systems require that discounts be established only as whole numbers. All materials presented during the meeting, including draft application forms, are attached.

No. of Copies rec'd __041__
List ABCDE

This notice is being filed today pursuant to Section 1.1206(b)(2) of the Commission's rules. If you have any questions concerning this filing, please do not hesitate to contact me.

Sincerely,

Mary L. Henze
Assistant Director - Policy Analysis

cc: I. Flannery
J. Rubin
K. Parker
C. Bolle
W. Cornelius
R. Curry
D. Durack
M. Long

**Universal Service for Schools/Libraries
Administrative Process Meeting
August 7, 1997**

Purpose:

1. Provide input as to what information will be required for the service providers to adequately bill for e-rate services.

2. Provide input to the information to be displayed on the Universal Service competitive bidding website that will be meaningful for vendors to assess their interest in responding.

3. Provide input by assuming the data requirements of the Administrator using the universal service order rules.

Definitions and Requirements

1. Three categories of customers exist for which operational processes must be built:

    a)   An **individual school/library** eligible under the plan

         Example billing scenarios:
   - Single school/library, no discounts
   - Single school/library, single service to be discounted
   - Single school/library, multiple services to be discounted at same rate
   - Single school/library, multiple services to be discounted at same rate and inclusion of non-discounted services

    b)   A **contract negotiation relationship** where a contract is negotiated on behalf of participating members of the group who receive individual benefits from the contract. Each participating retain their individual identity and legal accountability for purposes of receiving individual discounts, individual bills and retaining individual fiduciary responsibility.

         Attributes:
   - Negotiation group submits one Competitive Bid/Request for Services form on behalf of all participants to Administrator to post on website. Upon determination of a winning bidder, however, each participating member of the group submits their own unique Notification for Bid Acceptance/Request for Services form for discount approval.
   - Group can have eligible and ineligible members
   - Separate contracts for each member
   - Separate discounts for each member
   - Separate bills to each participating member and fund administrator

         Example billing scenarios:
   - Negotiation group, one service, same or different discount rates for each school; each participating member receives own bill
   - Negotiation group, multiple services, same or different discount rates for each school; each participating member receives own bill

    c)   An **aggregated purchasing relationship** where a lead entity as an agent is authorized to purchase on behalf of participating members and assumes management of group benefits and fiduciary responsibilities. The lead entity is responsible for a.) calculating and reporting aggregated group discounts; b.) assuring that individual members are allocated their fair share portions of costs of the services they receive; and c.) assuring that

schools/libraries receive their appropriate individual discounts. They are the legal contracting entity and will receive the single, group bill and are responsible for all payments and collections from members. If shared facilities/services exist for any aggregation of schools/libraries, they must apply to the Administrator as an aggregated purchaser.

Attributes:
- One billing/contract agent
- Centralized management of group benefits by lead entity
- Single aggregated bill rendered to lead entity
- Facilities can be shared by participating members; allocation of benefits and costs determined by lead agent
- Lead entity submits single Competitive Bid Form (Form 1) and single Application for Discount form (Form 2). Participating members do not submit Form 2.

Example billing scenarios:
- Aggregated purchasing group orders services; same or different discounts for participating eligible entities; application made on aggregated discount; some portion of services are shared facilities; one bill is issued to lead agent
- Aggregated purchasing group orders services; same or different discounts for participating eligible entities; application made on aggregated discount; no portion of services are shared; one bill is issued to lead agent

2.   Fund Administrator requirements
    a)   Each applicant needs a separate tracking identity in order to facilitate:
- Service request
- contract administration, tracking/reimbursement
- Auditing
- Forecasting

    b)   Each service request needs a separate identity request number to facilitate:
- Tracking/reimbursement
- Auditing
- Forecasting

    c.)   Each provider needs a separate tracking identity

Competitive Bid/Request for Services Form

1. Prepared by:
    - individual school/library
    - a negotiation group for all members
    - aggregate group purchasing for entire group

2. Primary use is for vendors to receive adequate information to bid

3. Effectively provides information for the index of competitive bids database

Sample Competitive Bid/Request for Services Form

Competitive Bid Information (automatically assigned by website)

Competitive Bid ID_____

Version Number_____

Posting Date_____

Customer Information

Name of Applicant_____

Address of Applicant _____

Applicant Telephone Number_____

Applicant Fax Number_____

Applicant E-mail Address_____

Applicant Website URL_____

Applicant ID Number _____

RFP Available?

    ☐ Yes

    ☐ No (Date available _____)

Contact Name _____

Contact Telephone Number_____

Contact Fax Number_____

Applicant E-mail Address_____

Type of Applicant

    ☐ Individual

        ☐ School

        ☐ Library

    ☐ Negotiation Group
    (single RFP, but each member will receive separate bills from the provider)

    ☐ Aggregate Group
    (single RFP, but group will receive single bill from provider)

If Negotiation Group or Aggregate Group, list participants' names, addresses, applicant ID numbers, Universal Service Fund discount percentage:

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

*(Attach additional sheet if required)*_____
(Attach certification check list for each member)

Request for Services: *(Note: RFP may be used for a single service or multiple services)*
Summary Description of Request: _____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

Requested Installation Date_____

Classification of Requested Services:
RFP may be used for a single service or multiple services, check as many boxes as are applicable.)

1.) <u>Internal connections</u>

    Voice network

        Number of voice connections

        ☐ 1-20   ☐ 101-250

        ☐ 21-50   ☐ 251-500

        ☐ 51-100   ☐ greater than 500

        Other features

        ☐ Intercom

                ☐ 1 way   ☐ Dial in only

                ☐ 2 way   ☐ Dial out only

        ☐ Other

          (specify)_____

    Data / LAN, including Intranets

        Speed

        ☐ less than 56 kbps   ☐ 1.6 - 10 Mbps

        ☐ 56-400 kbps   ☐ greater than 10 Mbps

        ☐ 400-1.6 Mbps

        Number of requested LANs

        ☐ 1-2   ☐ 11-20

        ☐ 3-5   ☐ >20

        ☐ 6-10

        Number of Nodes per LAN

        ☐ 1-20   #_____

        ☐ 21-50   #_____

        ☐ 51-100   #_____

        ☐ 101-250   #_____

        ☐ 251-500   #_____

        ☐ > 500   #_____

        Hardware

        ☐ Routers   #_____

        ☐ Hubs   #_____

        ☐ Servers   #_____

        ☐ Other_____

        Number of Facilities or Buildings

        ☐ 1-2   ☐ 11-20

        ☐ 3-5   ☐ >20 #_____

        ☐ 6-10

        Other Features

        ☐ Other _____

Video

Applications
- ☐ Distance Learning
- ☐ Media Retrieval
- ☐ Video Distribution
- ☐ Other_____

Sources to Distribute to Locations on the Network

☐ Satellite programming	☐ Laserdisc
☐ VCR	☐ Live video
☐ Broadcast announcments	☐ 2 Way Live Video

Number of Nodes

☐ 1-20	☐ 101-250
☐ 21-50	☐ 251-500
☐ 51-100	☐ greater than 500

Number of networks

☐ 1-2	☐ 11-20
☐ 3-5	☐ >20 #_____
☐ 6-10	

Other features

☐ Dedicated	☐ Switched
☐ Other	
(specify)_____	

_____

2.) Telecommunications Services

Voice

☐	Basic Local Svc:	☐	Long Distance Services
	incoming _____	☐	Custom features
	outgoing _____	☐	Paging
	extension paths __		
☐	Other (specify) _____		

Data

Speed

☐	less than 56 kbs	☐	1.6 - 10 Mbs
☐	56-400 kbs	☐	Other (specify ___
☐	400-1.6 Mbs		_____

Other Features

☐	Dedicated	☐	Switched
☐	Other (specify) _____		

_____

Number of locations
- ☐ 1-2
- ☐ 3-5
- ☐ 6-10
- ☐ 11-20
- ☐ > 20 #

Video

Speed

- ☐ less than 56 kbs
- ☐ 56-400 kbs
- ☐ 400-1.6 Mbs

- ☐ 1.6 - 10 Mbs
- ☐ Other (specify)

  _____

Number of locations

- ☐ 1-2
- ☐ 3-5
- ☐ 6-10

- ☐ 11-20
- ☐ > 20 #

Other Features

- ☐ Dedicated
- ☐ Switched

- ☐ Full motion
- ☐ Compressed:

  rate _____

Internet Services

Speed

- ☐ less than 56 kbs
- ☐ 56-400 kbs
- ☐ 400-1.6 Mbs

- ☐ 1.6 - 10 Mbs
- ☐ Other (specify)

Number of accounts to be provided by Internet Service Provider:

- ☐ 1-20
- ☐ 21-50
- ☐ 51-100

- ☐ 101-250
- ☐ 251-500
- ☐ greater than 500

Services Required

- ☐ web site hosting
- ☐ newsgroups
- ☐ domain name registration
- ☐ other_____

3.) Other Products & Services Not Eligible for Discount
- ☐ Telephone #_____
- ☐ Pagers   #_____
- ☐ Voice Mail #_____
- ☐ Computers #_____
- ☐ Modems

Notification of Bid Selection and Application for Discount Approval Form

1. Filed by any entity that is going to receive a bill. for example:
   - Individual school/library
   - Each member of a negotiation group
   - The lead entity of an aggregate purchasing group

2. Although a negotiation group would have issued one competitive bid form on behalf of the entire group, each participating member of the negotiation group must apply individually for discounts from the universal service fund

3. Used to:
   a.) apply for universal service discounts on
      - Pre-existing contracts
      - Newly contracted service
      - Re-applying annually for discounts on long term contracts
      - Disconnecting and terminating services

   b.) confirmation of discounts to schools/libraries and service providers

4. Applicants (including each member of negotiation group) must file this form for every contracted vendor that eligible services are purchased from each year

Sample Notification for Bid Selection and Application for Discount Approval Form

Competitive Bid Information (from Competitive Bid/Request for Services form)

Competitive Bid ID _____

Version Number _____

Application Date _____

Customer Information

Name of Applicant _____

Address of Applicant _____

Applicant Telephone Number _____

Applicant Fax Number _____

Applicant E-mail Address _____

Applicant Website URL _____

Applicant ID Number _____

Contact Name _____

Contact Telephone Number _____

Contact Fax Number _____

Applicant E-mail Address _____

Purchasing Entity:

    ☐ Individual

        ☐ School

        ☐ Library

    ☐ Negotiation Group   Group Name _____

        (single RFP, but each member will receive separate bills from the provider)

    ☐ Aggregate Group   Group Name _____

        (single RFP, but group will receive single bill from provider)

Effective universal service fund discount to be applied: _____ %

(Note: If aggregate group, please attach documentation of discount calculations by listing each participating eligible school/library and their authorized discount percentages)

Provider Information:

Provider Name & ID _____

Contact Name _____

Contact Telephone Number _____

Contact Fax Number _____

Applicant E-mail Address _____

Purpose for Submission:

☐ Apply for discounts on pre-existing contracts

☐ Apply for universal service discounts on newly contracted services

☐ Reapply for discounts in 2ND (+) year of long term contract

☐ Disconnect or terminate services (enter forecast below as negative amount)

Eligible Service Funding Forecast Table:
(sample services are displayed, actual table would be blank)

- to complete table, please use pre-discount pricing
- enter procured services and forecast expenditures for current and future year in dollars
- for disconnecting or terminating services, enter negative numbers

Service Name	Install Chgs	Estimate of Recurring Charges					Next Year Forcast
		1Q 19____	2Q 19____ r	3Q 19____	4Q 19____	Total 19____	
Internal Connections							
Voice							
Data							
Video							
Telecommunications Svcs							
Voice							
Data							
Video							
Internet Services							
TOTAL							
Per cent discount							
Amt paid by USF							
Amt paid by Cust.							

[Below to be filled out by Fund Administrator]

Fund Administrator Action:
(Copies to Applicant and Provider)
- ☐ Funding Approved
- ☐ Funding Rejected
    Reasons _____

    _____

    _____

- ☐ Funding Decision Pending
    Reasons _____

    _____

    _____

Reviewer Name _____

Contact Info _____

ITEMS REQUIRING ADDITIONAL CONSIDERATION

1. Helpful information but competitive neutrality or educator knowledge issues:
   - do requested services cross boundaries?
     - Interstate/Intrastate services
     - Interlata boundaries
     - Intraexchange/Interexchange

2. How to address minor modifications and growth under contracts?

3. The FCC, Department of Education and other interested parties might be interested in tracking data which might validate the success of this project. The forms may need to be designed with the collection of additional data for that purpose in mind.

4. Recommend beta tests of forms with actual RFPS, service contracts

Eligible Service Funding Forecast Table:
(*sample services are displayed, actual table would be blank*)
- to complete table, please use pre-discount pricing
- enter procured services and forecast expenditures for current and future year in dollars
- for disconnecting or terminating services, enter negative numbers

Service Name	Install Chgs	Estimate of Recurring Charges					Next Year Forcast
		1Q 19____	2Q 19____ r	3Q 19____	4Q 19____	Total 19____	
Internal Connections							
Voice							
Data							
LANS (12)	60,000						
LAN MAINTNCE		1500	1500	1500	1500	6000	6000
ROUTERS, HUBS (3)	30,000						
Video							
Telecommunications Svcs							
Voice							
Data							
56 KB (12)	15,000		900	900	900	2700	3600
T1 (2)	2000		3000	3000	3000	3000	4000
Video							
Internet Services							
INTERNET W/	1000		600	600	600	1800	2400
WEB SITE							
TOTAL	108,000		6800	6000	6000	18000	24000
Per cent discount	60						
Amt paid by USF	64,800		3600	3600	3600	10,800	14,400
Amt paid by Cust.	43,200		2400	2400	2400	7,200	9,600

AMERITECH
Washington, DC Office

FROM: Marv Bailey
Ameritech
1401 H Street, N.W.
Washington DC 20005
202 326-3818, FAX 202 326-3826

Number of Pages (including cover): __8__

TO: IRENE FLANNERY
FCC
202-418-7361

Irene,

Per our conversation, here are four examples of typical service orders for schools/libraries -- and we would like to understand how the discount is determined for each example. Our customers and sales folks continue to ask for these kinds of clarifications.
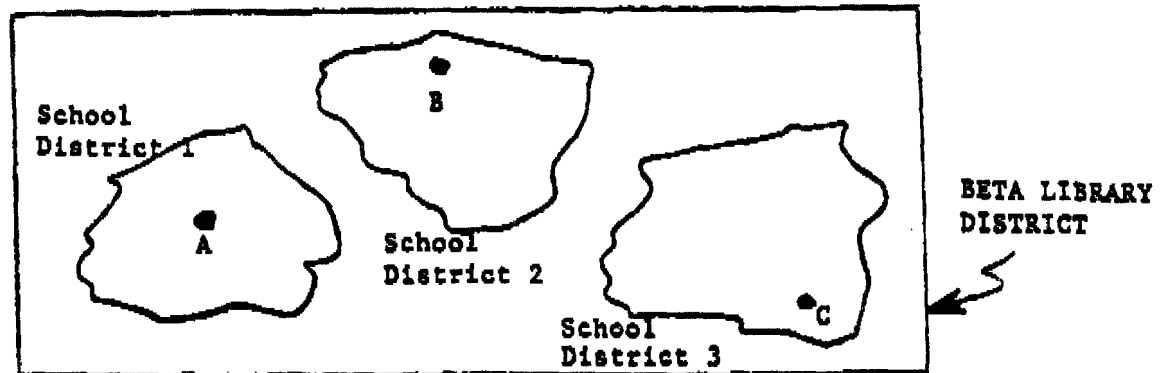
In a previous ex-parte, we answered example 1. I've built three new examples off of that first one.

If you and the staff can review in advance of Thursday's meeting, I'm sure it will help us expedite the meeting agenda.

BETA LIBRARY DISTRICT WITH THREE BRANCHES, A, B, C, EACH SERVING A DISTINCT SCHOOL DISTRICT

WHAT'S THE DISCOUNT FOR THE LIBRARY DISTRICT?

Library Statistics:

	% F/R for School District	% Discount	% of Total Students	% of total A-B-C F/R Lunch Students
Branch A	5	40	15	1
Branch B	25	50	15	7
Branch C	70	80	70	92
TOTAL		?	100	100

1. The language appears to require a simple, not a weighted, average. If the average of the discounts is used, the discount average is 56.7 percent

$$
\begin{array}{r}
40 \\
50 \\
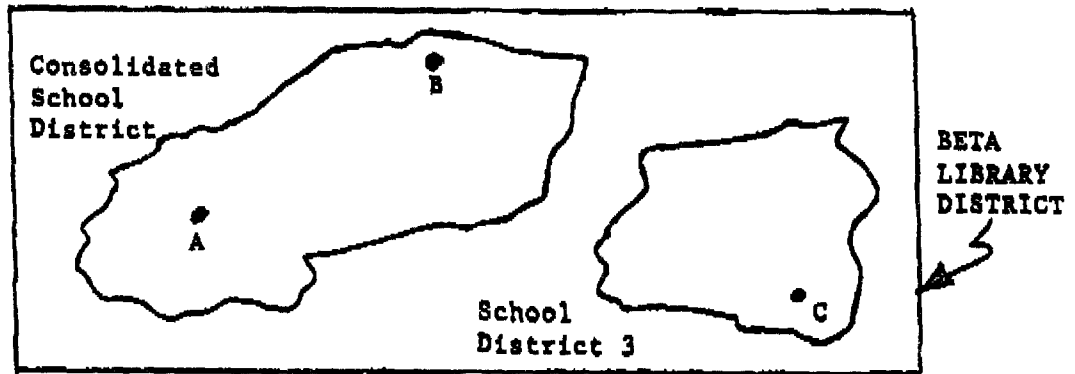\underline{80} \\
\text{Average} = \quad 56.7\%
\end{array}
$$

2. If the average is to be calculated based on the percentage of students eligible for free and reduced lunch, then the discount is 60 percent.

$$
\begin{array}{r}
5 \\
25 \\
\underline{70} \\
\text{Average} \quad 33.3\% \quad \text{Discount} = 50\%
\end{array}
$$

SCHOOL DISTRICTS A & B CONSOLIDATED, SO LIBRARY BRANCHES A, B ARE NOW SERVED BY A SINGLE DISTRICT

WHAT'S THE EFFECT?

Note: Consolidated School District A-B will now receive a 40% discount, whereas previously, District A received a 40% discount, and B received a 50% discount.

School Statistics:

	District% F/R Lunch	% Discount	% of Total Students
District A	5	40	50
District B	25	50	50
Cnslidtd A-B	15	40	100

Library Statistics:

	District% F/R Lunch	% Discount	% of Total Students	% of total A-B-C F/R Lunch
Br A in A-B Dist	15	40	15	1
Br. B in A-B Dist	15	40	15	7
Br. C in C Dist	75	90	70	92

1.. Is the library district's discount an average of discounts for each branch?
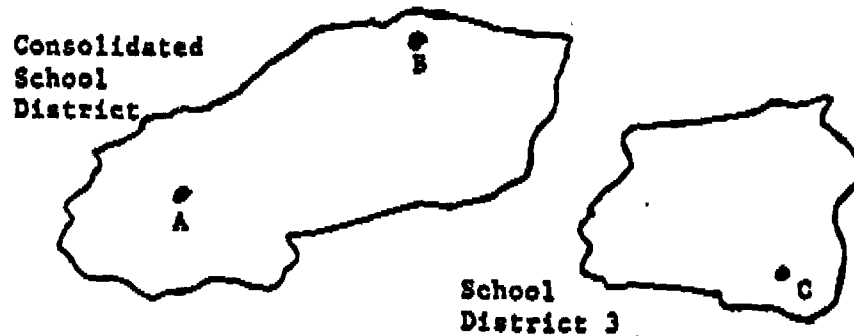
Branch A	40
Branch B	40
Branch C	80
	53.3%

2.   Is the library district's discount an average of discounts for each school district?

BranchA,B in Dist A-B   40%
Branch C in Dist C   80%
                         60% Discount

CONSOLIDATED SCHOOL DISTRICT A-B
ENTERS INTO A CONSORTIUM WITH SCHOOL DISTRICT C
THEY ORDER INTERNET ACCESS IN AN AGGREGATED
PURCHASING ARRANGEMENT WITH A SHARED T1

WHAT'S THE EFFECT?

School Statistics:

	District% F/R Lunch	% Discount	% of Total Students	% of total A-B-C F/R Lunch
Dist. A-B	15	40	30	16
Dist C	70	80	70	84

1.   Is the consortium's discount an unweighted average of students eligible for free/reduced lunch for district?

   A-B   15%
   C   70%
            42.5%   Discount = 60%

2.   Is it a weighted average of districts (same value as composite free/ reduced lunch for all participating districts)?

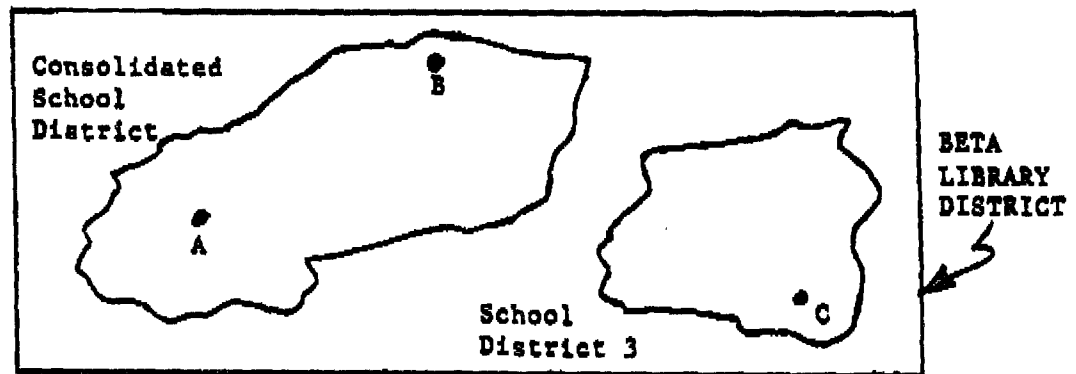   A-B   30% of students * 15% f/r =   4.5%
   C   70% of students * 70% f/r =   49.0%
                                             53.5%
            Discount = 80%

3.   Is it a simple average of discounts?

$$\begin{array}{r} 40\% \\ \underline{80\%} \\ \text{Discount} = \overline{60\%} \end{array}$$

BETA LIBRARY JOINS THE CONSORTIUM WITH
CONOLIDATED SCHOOL DISTRICT A-B,
AND SCHOOL DISTRICT C
THEY ADD INTERNET ACCESS WITH THE SHARED T1

WHAT'S THE EFFECT?

School Statistics:

	District% F/R Lunch	% Discount	% of Total Students
Dist A-B	15	40	30
Dist C	70	80	70

1. Since the library has only an unweighted average of 53.3%, must one presume that only unweighted averages of discounts for the consortia members can be used?

Beta	53.3%
A-B	40%
C	90%
	61.1%

   Discount = 61.1%

2. If the T1 service has one spoke each to both school districts and three spokes, one each to library branches A,B,C, is the discount calculated giving weighting to each customer (spoke)?

Beta A	53.3%
Beta B	53.3%
Beta C	53.3%
A-B	40%
C	90%
	58.0%

3.   Should the library receive no weighted value and receive the discount of just the consortium? (Note: consider many examples here, state = consortium; branch only serves a 90% school district, library serves multiple districts, etc.)